

## Economic Conditions

### August 2002

#### Civilian Labor Force

- Although Virginia's unemployment rate increased slightly in June, increasing by two-tenths of a percentage point to 4.3 percent, the state's overall economic picture is positive. Comparing June's unemployment rate with previous years, the last time Virginia's June unemployment rate was this high was in 1997 when it was 4.6 percent. The June unemployment rate is 42 percent less than the last recession's peak unemployment rate of 7.4 percent experienced in February 1992. The national unemployment rate of 6.0 percent in June is also significantly less than the 8.2 percent experienced during the worst of the last recession.
- 163,400 Virginia workers were unemployed in June 2002 compared with 250,800 in January 1992, the highest monthly total during the last recession.
- 22,700 more Virginians were unemployed in June than a year earlier—an increase of 16 percent. In addition, 7,500 more Virginians were unemployed in June than May 2002.
- Four of Virginia's eight MSA's had June unemployment rates above the statewide average—Danville (9.9 percent), Bristol (6.3 percent), Lynchburg (6.2 percent), and Norfolk-Newport News (4.6 percent).
- Virginia's June unemployment rate was lower than all nearby states (Maryland, Georgia, Tennessee, Kentucky, South Carolina, West Virginia, and North Carolina). In addition to Virginia, among these states only Maryland (4.8 percent) had an unemployment rate of less than five percent.

		June 02	June 01	June 01 to June 02	
				Net Change	% Change
<b>Labor Force</b>	<b>VA</b>	<b>3,825,984</b>	<b>3,730,279</b>	<b>95,705</b>	<b>2.6%</b>
	<b>US</b>	<b>143,669,000</b>	<b>142,684,000</b>	<b>985,000</b>	<b>0.7%</b>
<b>Employment</b>	<b>VA</b>	<b>3,662,569</b>	<b>3,589,602</b>	<b>72,967</b>	<b>2.0%</b>
	<b>US</b>	<b>134,992,000</b>	<b>135,923,000</b>	<b>-931,000</b>	<b>-0.7%</b>
<b>Unemployment</b>	<b>VA</b>	<b>163,415</b>	<b>140,677</b>	<b>22,738</b>	<b>16.2%</b>
	<b>US</b>	<b>8,677,000</b>	<b>6,762,000</b>	<b>1,915,000</b>	<b>28.3%</b>
<b>Unemployment rate</b>	<b>VA</b>	<b>4.3%</b>	<b>3.8%</b>	<b>----</b>	<b>13.2%</b>
	<b>US</b>	<b>6.0%</b>	<b>4.7%</b>	<b>----</b>	<b>27.7%</b>

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

## Virginia Nonagricultural Employment

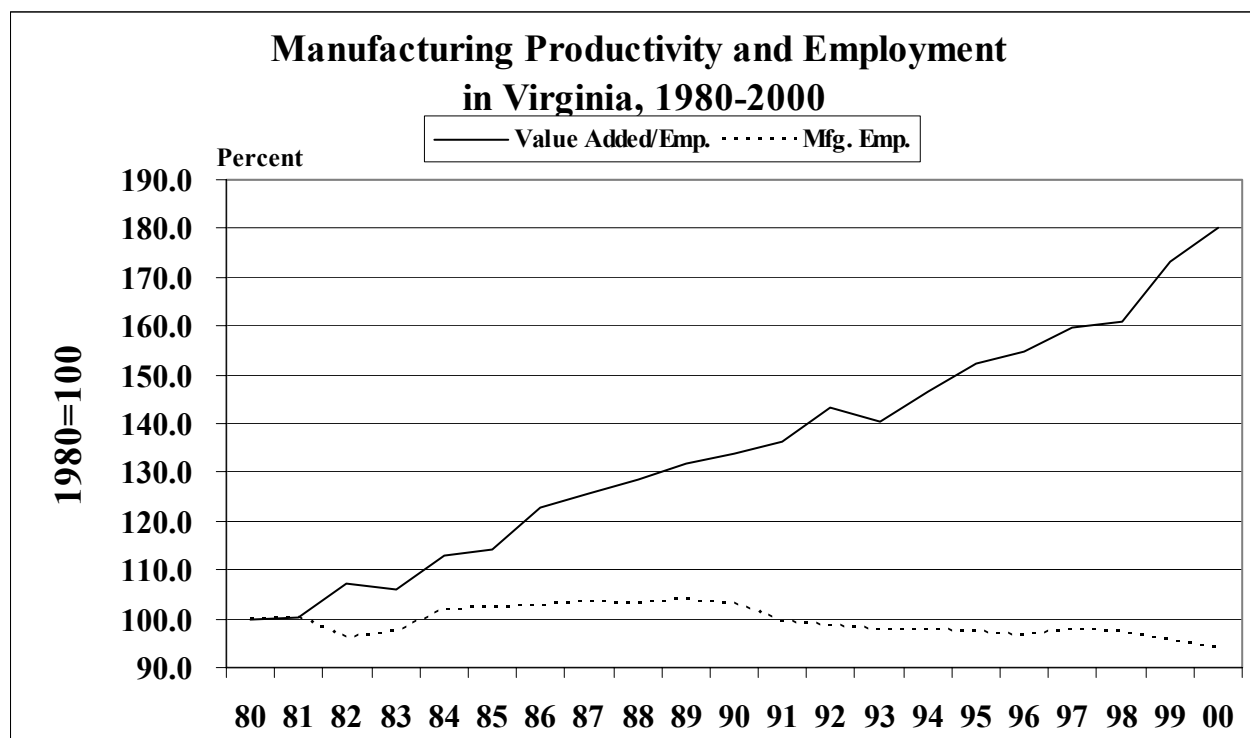
- Nonagricultural employment declined by 34,800 jobs from May 2001 to May 2002.
- Government and services were the only sectors of the Virginia economy to add jobs from May 2001 to May 2002. They added a combined total of 7,600 jobs with 67 percent attributed to government.
- The largest job losses in Virginia from May 2001 to May 2002 were in manufacturing (13,100 jobs), transportation and public utilities (12,000 jobs), construction (11,000 jobs), and wholesale and retail trade (5,800 jobs).
- Since May 1990, services has added more jobs than any other sector of the Virginia economy—426,000—and has grown at a faster rate than any other sector—57.8 percent.

	Current				Historic			
			May 01-May 02				May 90-May 02	
	May 02	May 01	Net Change	%		May 90	Net Change	%
<b>Total</b>	<b>3,510,800</b>	<b>3,545,600</b>	<b>-34,800</b>	<b>-1.0%</b>		<b>2,918,000</b>	<b>592,800</b>	<b>20.3%</b>
<b>Mining</b>	<b>9,800</b>	<b>10,100</b>	<b>-300</b>	<b>-3.0%</b>		<b>15,700</b>	<b>-5,900</b>	<b>-37.6%</b>
<b>Construction</b>	<b>206,000</b>	<b>217,000</b>	<b>-11,000</b>	<b>-5.1%</b>		<b>187,100</b>	<b>18,900</b>	<b>10.1%</b>
<b>Manufacturing</b>	<b>359,200</b>	<b>372,300</b>	<b>-13,100</b>	<b>-3.5%</b>		<b>427,400</b>	<b>-68,200</b>	<b>-16.0%</b>
<b>Trans. and public utilities</b>	<b>179,000</b>	<b>191,000</b>	<b>-12,000</b>	<b>-6.3%</b>		<b>148,700</b>	<b>30,300</b>	<b>20.4%</b>
<b>Wholesale and retail trade</b>	<b>761,600</b>	<b>767,400</b>	<b>-5,800</b>	<b>-0.8%</b>		<b>656,700</b>	<b>104,900</b>	<b>16.0%</b>
<b>Finance, ins., and real estate</b>	<b>193,100</b>	<b>193,300</b>	<b>-200</b>	<b>-0.1%</b>		<b>155,200</b>	<b>37,900</b>	<b>24.4%</b>
<b>Services</b>	<b>1,163,000</b>	<b>1,160,500</b>	<b>2,500</b>	<b>0.2%</b>		<b>737,000</b>	<b>426,000</b>	<b>57.8%</b>
<b>Government</b>	<b>639,100</b>	<b>634,000</b>	<b>5,100</b>	<b>0.8%</b>		<b>590,200</b>	<b>48,900</b>	<b>8.3%</b>

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

## Virginia Manufacturing Employment – Overview

- In May 2002, manufacturing employment in Virginia remained at its lowest level since March 1975.
- Manufacturing in Virginia has been in a state of long-term decline since reaching its peak employment of 432,500 in September 1989. It has declined 16.9 percent since then, losing 73,300 jobs, with textiles and apparel accounting for 43,100 of the total. In comparison, manufacturing declined nationally by 14.0 percent during the same period. Despite heavy employment losses, manufacturing remains Virginia's largest basic industry.
- Nationally manufacturing peaked in June 1979 with 21.3 million employees. Since then it has lost 4.6 million jobs through May 2002.
- Manufacturing job losses fall disproportionately on Virginia's non-metropolitan communities. Although they account for just 22 percent of the state's population, they represent 36 percent of the state's manufacturing employment.
- Manufacturing employment in Virginia declined 3.5 percent in May from a year earlier. Among neighboring states, three had greater percentage losses (West Virginia, South Carolina, and North Carolina). Four states (Georgia, Tennessee, Maryland, and Kentucky) had smaller losses.
- Due to significant capital investments and improved manufacturing processes, Virginia's manufacturing workers are much more productive than they were in 1980. The inflation-adjusted value added per manufacturing worker in Virginia increased 80 percent from 1980 to 2000. Virginia manufacturers now require significantly fewer workers than they did in 1980 to produce the same or greater output.



## Virginia Manufacturing Employment – Durable Goods

- Durable goods lost 5,600 jobs over the past twelve months, a decline of 2.9 percent.
- Job losses were heaviest in two durable goods industries—electronic equipment (4,000) and furniture (2,500). The largest percentage losses were also in electronic equipment (15.7 percent) and furniture (12.6 percent).
- The only durable goods industries to add jobs over the past twelve months were transportation equipment, lumber, and industrial machinery, which grew by 2,000, 700, and 200 jobs, respectively.
- Although some manufacturing job losses have been due to the overall weakness of the economy, long-term trends are also at work. Electronic equipment has been steadily declining since 1985, largely due to the impact of foreign competition. Since 1990 alone, this industry has lost 13,600 jobs, a 38.7 percent decline, with no end in sight to the losses. Furniture, also feeling the effects of foreign competition, lost 6,100 jobs (a 26.1 percent loss) during the same period. In all likelihood the weight of foreign imports will fall heavily on this industry in the years to come.
- On a brighter note, over the long-term industrial machinery is one of the few durable goods industries in Virginia to register solid job gains, adding 5,600 jobs since May 1990. This industry has been especially successful in exporting to foreign markets and has played a key role in productivity increases that have enabled manufacturers to produce more with the same or fewer workers.

	Current				Historic			
			May 01–May 02				May 90–May 02	
	May 02	May 01	Net Change	%		May 90	Net Change	%
<b>Total manufacturing</b>	<b>359,200</b>	<b>372,300</b>	<b>-13,100</b>	<b>-3.5%</b>		<b>427,400</b>	<b>-68,200</b>	<b>-16.0%</b>
<b>Durable goods</b>	<b>189,500</b>	<b>195,100</b>	<b>-5,600</b>	<b>-2.9%</b>		<b>208,400</b>	<b>-18,900</b>	<b>-9.1%</b>
<b>Lumber</b>	<b>26,900</b>	<b>26,200</b>	<b>700</b>	<b>2.7%</b>		<b>25,300</b>	<b>1,600</b>	<b>6.3%</b>
<b>Furniture</b>	<b>17,300</b>	<b>19,800</b>	<b>-2,500</b>	<b>-12.6%</b>		<b>23,400</b>	<b>-6,100</b>	<b>-26.1%</b>
<b>Stone, clay, glass</b>	<b>12,000</b>	<b>12,800</b>	<b>-800</b>	<b>-6.3%</b>		<b>14,700</b>	<b>-2,700</b>	<b>-18.4%</b>
<b>Primary metals</b>	<b>9,700</b>	<b>10,300</b>	<b>-600</b>	<b>-5.8%</b>		<b>11,700</b>	<b>-2,000</b>	<b>-17.1%</b>
<b>Fabricated metals</b>	<b>17,500</b>	<b>17,800</b>	<b>-300</b>	<b>-1.7%</b>		<b>18,000</b>	<b>-500</b>	<b>-2.8%</b>
<b>Ind. machinery</b>	<b>28,000</b>	<b>27,800</b>	<b>200</b>	<b>0.7%</b>		<b>22,400</b>	<b>5,600</b>	<b>25.0%</b>
<b>Electronic equip.</b>	<b>21,500</b>	<b>25,500</b>	<b>-4,000</b>	<b>-15.7%</b>		<b>35,100</b>	<b>-13,600</b>	<b>-38.7%</b>
<b>Trans. equip.</b>	<b>41,700</b>	<b>39,700</b>	<b>2,000</b>	<b>5.0%</b>		<b>44,100</b>	<b>-2,400</b>	<b>-5.4%</b>
<b>Instruments</b>	<b>10,700</b>	<b>10,700</b>	<b>0</b>	<b>0.0%</b>		<b>10,500</b>	<b>200</b>	<b>1.9%</b>
<b>Misc. mfg.</b>	<b>4,200</b>	<b>4,500</b>	<b>-300</b>	<b>-6.7%</b>		<b>3,200</b>	<b>1,000</b>	<b>31.3%</b>

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

## Virginia Manufacturing Employment – Nondurable Goods

- Nondurable goods lost 7,500 jobs over the past twelve months, a decline of 4.2 percent.
- Food and tobacco products added 1,400 jobs over the past 12 months. All other nondurables lost jobs.
- The heaviest job losses of the past twelve months were in textiles, apparel, rubber and plastics, printing, and chemicals, which lost a combined total of 8,300 jobs.
- The long-term prospects for several of Virginia's nondurable goods industries are particularly poor. Textiles and apparel, reflecting national trends, have been battered by foreign imports. Both industries have been losing jobs since the early 1970s with combined losses totaling 60,000 jobs. However, almost two-thirds of these jobs were lost since 1990. Given current trends the apparel industry will virtually cease to exist as a viable industry in Virginia within 5 to 10 years.
- Virginia's chemical industry, which peaked at 47,300 employees in 1968, has also been in long-term decline. Since then it has lost 28,200 jobs, 11,100 since 1990 alone.

	Current				Historic			
			May 01–May 02				May 90–May 02	
	May 02	May 01	Net Change	%		May 90	Net Change	%
<b>Total manufacturing</b>	<b>359,200</b>	<b>372,300</b>	<b>-13,100</b>	<b>-3.5%</b>		<b>427,400</b>	<b>-68,200</b>	<b>-16.0%</b>
<b>Nondurable goods</b>	<b>169,700</b>	<b>177,200</b>	<b>-7,500</b>	<b>-4.2%</b>		<b>219,000</b>	<b>-49,300</b>	<b>-22.5%</b>
Food products	38,600	37,800	800	2.1%		35,600	3,000	8.4%
Tobacco products	8,300	7,700	600	7.8%		12,700	-4,400	-34.6%
Textiles	19,800	24,200	-4,400	-18.2%		41,200	-21,400	-51.9%
Apparel	8,300	9,500	-1,200	-12.6%		27,700	-19,400	-70.0%
Paper	15,800	16,300	-500	-3.1%		16,700	-900	-5.4%
Printing	36,400	37,300	-900	-2.4%		35,400	1,000	2.8%
Chemicals	19,100	19,800	-700	-3.5%		30,200	-11,100	-36.8%
Rubber/plastics	22,500	23,600	-1,100	-4.7%		17,200	5,300	30.8%
Petroleum/leather	900	1,000	-100	-10.0%		2,300	-1,400	-60.9%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

## Virginia Nonmanufacturing Employment – Selected Industries

- Although manufacturing is still by far Virginia's largest basic industry, several basic nonmanufacturing industries have had an increasingly significant impact on the Virginia economy, including communications, business services, and engineering and management services.
- These three industries grew significantly faster than nonagricultural employment as a whole since 1990 with business services leading with a 89.9 percent increase followed by engineering and management services, 53.5 percent, and communications, 33.3 percent. This compares with 20.3 percent employment growth for nonagricultural employment during the same period.

	Current				Historic			
			May 01-May 02				May 90-May 02	
	May 02	May 01	Net Change	%		May 90	Net Change	%
<b>Nonmanufacturing</b>	<b>3,151,600</b>	<b>3,173,300</b>	<b>-21,700</b>	<b>-0.7%</b>		<b>2,490,600</b>	<b>661,000</b>	<b>26.5%</b>
<b>Communications</b>	<b>58,900</b>	<b>62,600</b>	<b>-3,700</b>	<b>-5.9%</b>		<b>44,200</b>	<b>14,700</b>	<b>33.3%</b>
<b>Business services</b>	<b>309,900</b>	<b>326,900</b>	<b>-17,000</b>	<b>-5.2%</b>		<b>163,200</b>	<b>146,700</b>	<b>89.9%</b>
<b>Engineering and management svcs</b>	<b>146,300</b>	<b>140,500</b>	<b>5,800</b>	<b>4.1%</b>		<b>95,300</b>	<b>51,000</b>	<b>53.5%</b>

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

## Consumer Price Index

- The Consumer Price Index for All Urban Consumers (CPI-U) was increased 0.1 percent in June. On a seasonally adjusted basis the CPI-U also increased 0.1 percent in June. The index for petroleum-based energy increased 0.3 percent while the index for food at home declined 0.2 percent. Excluding energy and food, the CPI-U increased just 0.1 percent in June.
- For the first six months of 2002, the CPI-U rose at a seasonally adjusted annual rate of 2.7 percent. This compares with a 1.6 percent increase for all of 2001.

Current			Historic		
	% Change, May 02 to June 02	% Change June 01 to June 02	% Change June 90 to June 02	% Change June 80 to June 02	% Change June 70 to June 02
<b>June 02</b>					
<b>179.9</b>	<b>0.1%</b>	<b>1.1%</b>	<b>38.5%</b>	<b>117.5%</b>	<b>363.7%</b>

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

## Finance

- The current federal funds rate of 1.75 percent remains unchanged since it was set in mid-December 2001. The federal funds rate, one of the most frequently quoted and misunderstood financial indicators, is at its lowest level in four decades.
- The Dow Jones, S&P 500, and NASDAQ are currently 28 percent, 42 percent, and 75 percent, respectively, below their all-time highs of two years ago.

	August 02	% Change, 1 Month	% Change, 3 Months	% Change, 6 Months	% Change, 1 Year
<b>DJIA</b>	<b>8507</b>	<b>-6.6%</b>	<b>-15.4%</b>	<b>-14.1%</b>	<b>-19.1%</b>
<b>S&amp;P 500</b>	<b>885</b>	<b>-8.7%</b>	<b>-18.5%</b>	<b>-21.1%</b>	<b>-27.2%</b>
<b>NASDAQ</b>	<b>1280</b>	<b>-8.8%</b>	<b>-23.7%</b>	<b>-33.0%</b>	<b>-38.1%</b>

	August 02	Feb. 02	August 01
<b>Federal funds rate</b>	<b>1.75%</b>	<b>1.75%</b>	<b>3.75%</b>
<b>Treasury – 5 year</b>	<b>3.36%</b>	<b>4.30%</b>	<b>4.55%</b>
<b>Treasury – 10 year</b>	<b>4.40%</b>	<b>4.98%</b>	<b>5.07%</b>
<b>Bank prime loan rate</b>	<b>4.75%</b>	<b>4.75%</b>	<b>6.75%</b>

Note: Data is for the first business day of the month.

Source: Reuters and the Board of Governors of the Federal Reserve System.

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